

Message Text

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FM SECSTATE WASHDC

TO AMCONSUL LUANDA PRIORITY

AMEMBASSY LISBON PRIORITY

C O N F I D E N T I A L STATE 205793

E.O. 11652, GDS

TAGS: BDIS, AO, PO

SUBJECT:ENQUIRIES ON THE STATUS OF THE BANCO INTER-UNIDO

REF.: LUANDA 1154 AND SUBSEQUENT

1. ONE OF THE PARENT BANKS OF BANCO INTER-UNIDO (BIU) IS CITY BANK OF NEW YORK, WHICH HOLDS 50 PER CENT INTEREST IN BIU. CITY BANK IS OF THE OPINION, CONCURRED IN BY L/AF AND L/EB, THAT THE TRANSITIONAL GOVERNMENT HAS SEIZED CONTROL OF BIU. OUR READING OF THE DECREE ISSUED BY THE MINISTRY OF FINANCE AS WELL AS THE PRIVATE STATEMENTS MADE CONFIDENTIAL

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BY TRANSITIONAL GOVERNMENT OFFICIALS IN LUANDA TO OUR CONSUL GENERAL, INDICATES THAT THE TAKEOVER MAY BE AN EMERGENCY MEASURE OF PERHAPS 15-30 DAYS' DURATION.

2. THE ASSUMPTION OF CERTAIN POWERS OF THE TRANSITIONAL GOVERNMENT BY THE ACTING PORTUGUESE HIGH COMMISSIONER, GENERAL MACEDO, AND HIS SUBSEQUENT STATEMENT SUPPORTING THE ACTION OF THE FINANCE MINISTER IN SUSPENDING THE BOARD OF DIRECTORS OF THE BANKS, IS IN OUR VIEW EVIDENCE OF OFFICIAL PORTUGUESE INVOLVEMENT IN THE SUSPENSION.

3. IF, INDEED, AN ASSUMPTION OF CONTROL HAS OCCURRED, WITHOUT PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION OR THE

TAKING OF APPROPRIATE STEPS TO PROVIDE SUCH COMPENSATION, ARTICLE 502 (B) OF THE TRADE ACT OF 1974 WOULD BE APPLICABLE TO ANGOLA, AND ANGOLA WOULD BE INELIGIBLE FOR GENERALIZED PREFERENCE (GSP) TARIFF TREATMENT WITHOUT A SPECIAL DETERMINATION BY THE PRESIDENT THAT SUCH TREATMENT WAS IN THE "NATIONAL ECONOMIC INTEREST" OF THE U. S. BEFORE A FINAL DECISION IS MADE, IT WOULD BE USEFUL TO HAVE FURTHER INDICATIONS OF THE INTENTION OF THE TRANSITIONAL GOVERNMENT.

4. ACTION REQUESTED: A. LISBON: THAT AN INQUIRY BE MADE OF THE MINISTER FOR INTERNATIONAL AFFAIRS REQUESTING A CLARIFICATION OF THE OWNERSHIP AND CONTROL OF BANCO INTER-UNIDO AND INDICATE OUR CONCERNS BASED ON VIEWS EXPRESSED PARA 2 ABOVE.

B. LUANDA: THAT AN INQUIRY BE MADE TO THE ACTING HIGH COMMISSIONER TO DEFINE THE STATUS OF OWNERSHIP AND CONTROL OF BIU. YOU SHOULD ASCERTAIN IF THE HIGH COMMISSIONER BELIEVES THE SUSPENSION IS A TEMPORARY OR PERMANENT MEASURE. IF TEMPORARY, WHEN CAN CITIBANK EXPECT STEPS TO BE TAKEN TO RETURN CONTROL OF BIU TO THE LAWFUL OWNERS? YOU SHOULD ALSO APPROACH THE MINISTER OF FINANCE AND ASK HIM WHEN WE CAN EXPECT THE TEMPORARY EMERGENCY TO END AND CONTROL TO BE RETURNED TO THE LAWFUL OWNERS. SHOULD THE MINISTER OF FINANCE INDICATE THAT THE SUSPENSION MIGHT BE OTHER THAN TEMPORARY YOU SHOULD

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APPRAISE HIM OF U.S. LAW AND POLICY IN THIS REGARD, I.E., THAT SEIZURE OF CONTROL OF U.S.-OWNED ENTERPRISES ABROAD MUST BE ACCCOMPANIED BY PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION OR APPROPRIATE STEPS IN THIS DIRECTION. FAILURE TO DO SO COULD PREVENT ANGOLA FROM ENJOYING GSP TREATMENT ABSENT OF SPECIAL PRESIDENTIAL DETERMINATION. FYI. IF THERE IS NO RESOLUTION OF THE SITUATION, BY PAYMENT OR APPROPRIATE STEPS, OTHER RELEVANT U.S. LEGISLATION COULD RESULT IN DENIAL OF FOREIGN ASSISTANCE AND WOULD RESULT IN USG VOTES AGAINST LOANS FROM INTERNATIONAL FINANCIAL INSTITUTIONS. END FYI. INGERSOLL

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